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Argentina

Canned Deciduous Fruit Annual

2010

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Report Highlights:

Peach production for CY 2011 is estimated at 170,000 MT, of which 100,000 MT will be processed into canned peaches. Canned peach exports are expected to increase to 32,000 MT, compared to CY 2010, primarily due to larger production. Domestic consumption for CY 2011 is forecast to increase due to larger production and the gradual recuperation of purchasing power.

Executive Summary:

Post forecasts an increase in peach production for CY 2011 reaching an estimated 170,000 MT. This increase is a result of favorable weather conditions in CY 2010, which are expected to improve yields. Of total production, 100,000 MT are forecast to be used for canned peaches. Exports are estimated to rebound to 32,000 MT as a result of increased production, and domestic consumption is also forecast to increase due to the rise in production and the recuperation of purchasing power.

Commodities:

Peaches, Canned

Production:

CY 2011 production of peaches for processing is forecast to increase to 170,000 MT. This increase is due to favorable weather conditions during the CY 2010 growing season, which are expected to improve yields. Of the total production, 100,000 MT are projected to be used for canned peaches. CY 2010 production is expected to decrease to 117,500 MT. Previous estimations expected production to reach over 160,000 MT, but late frosts at the end of September 2009 affected both volumes and fruit quality. Of that amount, 81,000 MT are forecast to be used for canned peaches. CY 2009 production decreased to 151,000 MT, compared to USDA official estimates, as a consequence of hail damage during the first days of January 2009, and high temperatures during the summer. In addition, some fruit was not harvested due to low farm-gate prices following the global financial crisis which negatively affected exports.

The current challenges facing the canned peach sector include the following:

- High production costs
- Increased peach production in China
- Peach subsidies in Greece
- Competition from Chile

The sector involved in peach production for processing, which includes the provincial government, private companies and producers, has developed its own Strategic Plan. The main objective of the plan is to improve the profitability for all stakeholders, through sustained development. Specifically, the plan aims at fostering production through yield improvements, and increased area planted, meeting quality standards, and expanding exports through increasing competitiveness.

Production Costs

In CY 2010, labor, sugar, tin plates, carton, fuel and energy all contributed to higher production costs. This increase, which reached between 5-10 percent, was not as significant as in previous years, when cost increases reached an average of 25 percent.

Production Areas

Approximately, 95 percent of Argentina's canned peach production is concentrated in the Province of Mendoza, located along the Andes mountains. Approximately 8,000 hectares are currently planted with Cling peaches in this province. Based on an update of the 2007 census carried out by the Rural Development Institute of Mendoza (IDR), a private/public sector entity closely related to the provincial Ministry of Economy, and the Processed Fruit Chamber of Mendoza (CAFIM), there are currently 1,114 producers, farming an average of 5.72 hectares in the Province of Mendoza.

Since Mendoza is a very dry province, with an annual average rainfall of 8 inches or less, all plantations are irrigated. The main source of water is snowmelt from the Andes. There are three main production areas in the Province of Mendoza, and these areas are known as oases.

The oldest and most traditional production area is in the southern zone, and encompasses the counties of San Rafael and General Alvear. The total area planted in this region is approximately 2,396 hectares. Farms in this area are small, around 2 hectares, and are generally subsistent in nature. Therefore, production in this area is basically low-tech with yields not higher than 14 MT per hectare.

The northern and eastern zones, with 1,927 hectares in production, have an average farm size of 9.9 hectares. Yields in this zone reach 15 MT per hectare, which reflects the use of yield-improving technology.

The last zone, the Uco Valley, is where more professional farmers have settled during the past 20 years. Larger plantations, most of them owned by canneries, have been established in this zone. With a total planted area of 3,645 hectares, the average farm size in this area is 21.5 hectares, and yields reach over 32 MT per hectare.

Consumption:

Total domestic consumption of canned peaches for 2011 is estimated to increase to over 68,000 MT due to larger production and the gradual recuperation of purchasing power. For CY 2010, domestic consumption is forecast to increase to slightly over 66,300 MT, compared to the previous year. Annual per capita consumption varies between 1.4 and 1.7 cans depending on volumes exported.

Trade:

CY 2011 canned peach exports are expected to reach 32,000 MT due to increased production. CY 2010 exports, however, are estimated to decrease to 18,000 MT due to strong competition with domestic consumption as domestic prices are projected to remain stronger than international prices.

Mexico and Brazil are Argentina's traditional and largest markets for canned peaches, followed mainly by other Latin American countries.

Argentina's export promotional campaigns are focused primarily on developing and/or recuperating exports to Latin American markets such as Mexico, Brazil, Colombia, Venezuela, and Peru.

Canned Peach Exports

Country	2007		2008		2009	
	USD	MT	USD	MT	USD	MT
Total	30,587,972	32,473	28,574,880	24,994	19,511,324	21,330
Mexico	13,466,269	14,295	10,661,314	10,343	5,630,118	5,853
Brazil	6,189,601	6,306	6,595,160	5,424	5,037,377	5,852
Uruguay	2,604,076	2816	3,746,279	3,133	2,917,039	3,262
Paraguay	2,968,727	3,033	3,366,612	2,772	2,319,029	2,509
Bolivia	1,948,130	1,934	2,700,455	2,149	1,683,661	1,789
Colombia	274,165	215	0	0	728,685	801
US	93,780	162	79,331	58	634,983	628
Chile	788,420	823	347,633	245	114,741	115
Guatemala	295,017	311	68,898	61	85,240	86
Peru	255,583	209	0	0	69,301	81
Panama	18,438	10	641	0	60,511	89
EU	38,524	39	218,131	235	51,270	47
Venezuela	17,835	17	590,791	417	46,440	51
Canada	67,515	93	34,491	37	29,165	38
Philippines	0	0	47,318	35	26,822	35
Japan	0	0	0	0	25,167	36
Lebanon	0	0	0	0	16,200	18
Andorra	0	0	0	0	13,491	15
Singapore	0	0	0	0	13,385	18
Honduras	0	0	3,640	3	8,488	6

Source: FAS Buenos Aires based on data from Global Trade Atlas

Import and Export Requirements

Canned Peaches 200870	
Outside the Mercosur Area	
Import Tariff	14 %
Statistical Tax	0.50%
Export Tax	5.00%
Export Rebates	
Containers with more than 2.5 kg.	4.05%
Containers with 2.5 kg. or less	6.00%

Inside the Mercosur Area	
Import Tariff	0.00%
Export Tax	5.00%
Export Rebates	
Containers with more than 2.5 kg.	4.05%
Containers with 2.5 kg. or less	6.00%

Source: FAS Buenos Aires based on data from Tarifar

Prices

According to private sources, CY 2010 farm-gate fresh fruit prices for peaches produced for canning reached around \$0.3/kg, significantly higher than CY 2009 prices that did not exceed \$0.2/kg, which discouraged producers from completing the harvest. Producers' net income in CY 2009 was also reduced due to high production costs.

International Prices

Canned Peach FOB Prices			
Country	<i>Argentina</i>		
Commodity	<i>Peaches, Canned</i>		
Prices in	US\$ FOB	per	MT
Year	2009	2010	% Change
Jan	1,123	911	-19
Feb	1,087	891	-18
Mar	968	945	-2.5
Apr	897	952	6
May	1,016	967	-5
Jun	878	1,056	20
Jul	959	1,080	12.5
Aug	929	n/a	
Sep	941	n/a	
Oct	876	n/a	
Nov	853	n/a	
Dec	837	n/a	
Exchange Rate	3.97	Local Currency/US \$1	
Date of Quote	9/24/2010	MM/DD/YYYY	

Source: FAS Buenos Aires based on data from Global Trade Atlas

Domestic Retail Prices

\$20-gram can (net weight)	September 2008 (1US\$ = 3.16AR\$)	September 2009 (1US\$ = 3.85AR\$)	September 2010 (1US\$ = 3.97AR\$)
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Brand	AR\$	US\$	AR\$	US\$	AR\$	US\$
La Campagnola	7.99	2.53	7.59	1.97	10.30	2.59
Arcor	n/a	n/a	7.39	1.92	13.29	3.35
La Colina	n/a	n/a	6.67	1.73	n/a	n/a
Alco	6.59	2.09	7.68	1.99	12.89	3.25
Canale	n/a	n/a	n/a	n/a	12.89	3.25
Prima (fm. Greece)	5.79	1.83	n/a	n/a	n/a	n/a
Average price	6.79	2.15	7.33	1.90	12.34	3.11

Source: Supermarket chains and grocery stores

Policy:

An agreement between the Governments of Argentina and Mexico that began in 2007 established an annual quota of 10,000 MT at a zero tariff (the import tariff in Mexico is seven percent). This quota is allocated by the Argentine Secretariat of Agriculture which gives priority to those canneries that have exported canned peaches to a third country in the past four years. Only 15 percent of the quota will be allocated to companies that have not previously exported their product. Representatives of the Federation for the Processed Peach Strategic Plan (FEPEDI) have the intention to negotiate an increase of the 10,000 MT-zero tariff quota to 15,000 MT once exports increase. In CY 2010, Argentina will be unable to fill the quota due to reduced fruit volumes available for export.

The Government of Argentina (GOA) introduced new measures to restrict imports of some food products, including canned peaches, in April 2010. Importers are now required to get approval from the Secretariat of Internal Commerce before receiving the "certificate of free circulation" from the National Food Institute (INAL). The certificate is required for all food imports. Local contacts report serious delays in import approvals for canned fruits and vegetables, which has discouraged imports. The GOA is in discussions to raise the Mercosur common external tariff to the WTO bound rate of 35 percent. Private sources expect the agreement to be signed by the end of CY 2010.

Production, Supply and Demand Data Statistics:

Peaches, Canned Argentina	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Deliv. To Processors	160,005	151,000	151,000		165,000	117,500			170,000
Beginning Stocks	2,500	10,000	2,500		0	2,500			0
Production	85,000	80,400	80,000		85,000	81,000			100,000
Imports	50	50	30		50	805			40
Total Supply	87,550	90,450	82,530		85,050	84,305			100,040
Exports	30,000	23,000	21,000		30,000	18,000			32,000

Domestic Consumption	55,050	67,450	59,030		55,050	66,305			68,040
Ending Stocks	2,500	0	2,500		0	0			0
Total Distribution	87,550	90,450	82,530		85,050	84,305			100,040
TS=TD			0			0			0
Comments									
AGR Number	Unit of Measure: Metric Tons								

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